LEGACY AG CREDIT, ACA

2024
First Quarter

For the Three Months Ended March 31, 2024

REPORT OF MANAGEMENT

The undersigned certify that we have reviewed this report, that it has been prepared in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate and complete to the best of our knowledge and belief.

Derrell W. Chapman, CPA, Chief Executive Officer
May 9, 2024

Terry Milligan, Chairman, Board of Directors
May 9, 2024

Heather Johnson, CPA, Chief Financial Officer
May 9, 2024

First quarter 2024 Financial Report

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LEGACY AG CREDIT, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of Legacy Ag Credit, ACA (association or Legacy), for the quarter ended March 31, 2024. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2023 Annual Report to Stockholders.

The association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly owned subsidiaries. The consolidated financial statements were prepared under the oversight of the association's audit committee.

Significant Events

In January 2024, the board of directors approved a patronage payment of $3,000,000 related to 2023 earnings, which was paid in March 2024.

Loan Portfolio

Total loans outstanding at March 31, 2024, including nonaccrual loans and sales contracts, were $369,696,407 compared to $375,772,990 at December 31, 2023, reflecting a decrease of 1.62%. Nonaccrual loans as a percentage of total loans outstanding were 0.20% at March 31, 2024, compared to 0.12% at December 31, 2023.

The association recorded $900 in recoveries and $1,094 in charge-offs for the quarter ended March 31, 2024, and $600 in recoveries and $0 in charge-offs for the same period in 2023. The association's allowance for loan losses was 0.29% and 0.29% of total loans outstanding as of March 31, 2024, and December 31, 2023, respectively.

Risk Exposure

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the association's components and trends of high-risk assets.

	March 31, 2024		December 31, 2023	
	Amount	**%**	**Amount**	**%**
Nonaccrual	**$ 725,678**	**100.0%**	**$ 440,261**	**100.0%**
90 days past due and still accruing interest	**-**	**0.0%**	**-**	**0.0%**
Total	**$ 725,678**	**100.0%**	**$ 440,261**	**100.0%**

Results of Operations

The association had net income of $1,154,657 for the three months ended March 31, 2024, as compared to net income of $1,681,886 for the same period in 2023, reflecting a decrease of 31.35%. Net interest income was $2,738,793 for the three months ended March 31, 2024, compared to $2,826,685 for the same period in 2023, reflecting a decrease of 3.1%.

	Three Months Ended			
	March 31, 2024		**March 31, 2023**	
	Average Balance	**Interest**	**Average Balance**	**Interest**
Loans	**$ 372,593,879**	**$ 5,567,693**	$ 367,566,225	$ 5,138,218
Interest-bearing liabilities	**314,308,148**	**2,828,900**	309,854,125	2,311,533
Impact of capital	**$ 58,285,731**		$ 57,712,100	
Net interest income		**$ 2,738,793**		$ 2,826,685

	2024	**2023**
	Average Yield	**Average Yield**
Yield on loans	**6.01%**	5.67%
Cost of interest-bearing liabilities	**3.62%**	3.03%
Interest rate spread	**2.39%**	2.64%
Net interest income as a percentage of average earning assets	**2.96%**	3.12%

	Three months ended: March 31, 2024 vs. March 31, 2023		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income - loans	$ 70,869	$ 358,606	$ 429,475
Interest expense	33,505	483,862	517,367
Net interest income	**$ 37,364**	**$ (125,256)**	**$ (87,892)**

Interest income for the three months ended March 31, 2024, increased by $429,475, or 8.36%, from the same period of 2023, primarily due to an increase in average yields on loans and an increase in average loan volume. Interest expense for the three months ended March 31, 2024, increased by $517,367, or 22.38%, from the same period of 2023 due to an increase in cost of interest-bearing liabilities. Average loan volume for the first quarter of 2024 was $372,593,879, compared to $367,566,225 in the first quarter of 2023. The average net interest rate spread on the loan portfolio for the first quarter of 2024 was 2.39%, compared to 2.64% in the first quarter of 2023.

The association's return on average assets for the three months ended March 31, 2024, was 1.21% compared to 1.79% for the same period in 2023. The association's return on average equity for the three months ended March 31, 2024, was 6.93%, compared to 10.30% for the same period in 2023.

Liquidity and Funding Sources

The association secures the majority of its lendable funds from the Farm Credit Bank of Texas (the Bank), which obtains its funds through the issuance of System-wide obligations and with lendable equity. The following schedule summarizes the association's borrowings.

	March 31, 2024	December 31, 2023
Note payable to the Bank	$ 313,280,197	$317,332,782
Accrued interest on note payable	949,134	942,054
Total	**$ 314,229,331**	$318,274,836

The association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2024. The primary source of liquidity and funding for the association is a direct loan from the Bank. The outstanding balance of $313,280,197 as of March 31, 2024, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 3.62 percent at March 31, 2024. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the Bank and is governed by the GFA. The decrease in note payable to the Bank and related accrued interest payable since December 31, 2023, is due to the association's decrease in loan volume. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were $54,475,662 at March 31, 2024. The maximum amount the association may borrow from the Bank as of March 31, 2024, was $370,953,529 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2024, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

Capital Resources

The association's capital position decreased by $1,861,867 at March 31, 2024, compared to December 31, 2023 due to the establishment of a $3 million patronage payable during the first quarter of 2024. The association's debt as a percentage of members' equity was 4.65:1 as of March 31, 2024, compared to 4.58:1 as of December 31, 2023.

Farm Credit Administration regulations require the association to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of March 31, 2024, the association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements

Refer to Note 1 – "Organization and Significant Accounting Policies" in this quarterly report for disclosures of recent accounting pronouncements which may impact the association's consolidated financial position and results of operations and for critical accounting policies.

Relationship With the Farm Credit Bank of Texas

The association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the association. The Management's Discussion and

Analysis and Notes to Financial Statements contained in the 2023 Annual Report of association more fully describe the association's relationship with the Bank.

The annual and quarterly stockholder reports of the Bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. The annual and quarterly stockholder reports for the Bank are also available on its website at *www.farmcreditbank.com*.

The association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Legacy Ag Credit, ACA, 303 Connally St., Sulphur Springs, TX 75482 or calling (903) 885-9566. The annual and quarterly stockholder reports for the association are also available on its website at *www.legacyaca.com*. Copies of the association's quarterly stockholder reports can also be requested by e-mailing sherry.sturgis@legacyaca.com.

Legacy Ag Credit, ACA

CONSOLIDATED BALANCE SHEETS

	March 31, 2024 (unaudited)	December 31, 2023
ASSETS		
Cash	$ 137,904	$ 138,043
Loans	369,696,407	375,772,990
Less: allowance for credit losses on loans	1,063,684	1,095,402
Net loans	368,632,723	374,677,588
Accrued interest receivable	2,648,717	2,436,348
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	6,173,070	6,173,070
Allocated Equity	253,681	253,681
Other	617,572	178,118
Premises and equipment, net	5,556,708	5,605,940
Other assets	349,621	220,526
Total assets	$ 384,369,996	$ 389,683,314
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	$ 313,280,197	$ 317,332,782
Advance conditional payments	17,295	1,000
Accrued interest payable	949,134	942,054
Drafts outstanding	301,022	43,222
Dividends payable	91,844	-
Other liabilities	1,750,065	1,521,950
Total liabilities	$ 316,389,557	$ 319,841,008
MEMBERS' EQUITY		
Capital stock and participation certificates	$ 1,161,140	$ 1,176,510
Unallocated retained earnings	66,751,072	68,596,406
Accumulated other comprehensive income (loss)	68,227	69,390
Total members' equity	67,980,439	69,842,306
Total liabilities and members' equity	$ 384,369,996	$ 389,683,314

The accompanying notes are an integral part of these combined financial statements.

Legacy Ag Credit, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended March 31,	
	2024	2023
INTEREST INCOME		
Loans	**5,567,693**	5,138,218
INTEREST EXPENSE		
Note payable to the Farm Credit Bank of Texas	**2,826,150**	2,311,490
Advance conditional payments	**2,750**	43
Total interest expense	**2,828,900**	2,311,533
Net interest income	**2,738,793**	2,826,685
PROVISION FOR LOAN LOSSES	**(35,134)**	(86,648)
Net interest income after provision for credit losses	**2,773,927**	2,913,333
NONINTEREST INCOME		
Income from the Farm Credit Bank of Texas:		
Patronage income	**298,250**	559,780
Loan fees	**70,781**	67,159
Financially related services income	**104**	94
Gain (loss) on sale of premises and equipment, net	**-**	(1,422)
Other noninterest income	**28,076**	29,755
Total noninterest income	**397,211**	655,366
NONINTEREST EXPENSES		
Salaries and employee benefits	**1,291,266**	1,167,144
Directors' expense	**47,619**	59,513
Purchased services	**151,397**	119,218
Travel	**77,342**	57,563
Occupancy and equipment	**162,875**	155,018
Communications	**35,075**	28,683
Advertising	**29,742**	33,081
Public and member relations	**45,349**	43,120
Supervisory and exam expense	**37,036**	32,430
Insurance fund premiums	**60,889**	112,038
Other components of net periodic postretirement benefit cost	**1,610**	1,844
Other noninterest expense	**76,280**	77,161
Total noninterest expenses	**2,016,480**	1,886,813
NET INCOME	**1,154,658**	1,681,886
Other comprehensive income:		
Change in postretirement benefit plans	**(1,163)**	(926)
COMPREHENSIVE INCOME	**1,153,495**	1,680,960

The accompanying notes are an integral part of these combined financial statements.

Legacy Ag Credit, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2022	$ 1,192,520	$ 66,543,014	$ 60,450	$ 67,795,984
Comprehensive income		1,681,884	(926)	1,680,958
Capital stock/participation certificates and allocated retained earnings issued	22,140			22,140
Capital stock/participation certificates and allocated retained earnings retired	(34,660)			(34,660)
Patronage paid		(3,230,770)		(3,230,770)
Cumulative effect of a change in accounting principle		(74,032)		(74,032)
Balance at March 31, 2023	$ 1,180,000	$ 64,920,096	$ 59,524	$ 66,159,620
Balance at December 31, 2023	$ 1,176,510	$ 68,596,406	$ 69,390	$ 69,842,306
Comprehensive income		1,154,658	(1,163)	1,153,495
Capital stock/participation certificates and allocated retained earnings issued	26,160			26,160
Capital stock/participation certificates and allocated retained earnings retired	(41,530)			(41,530)
Patronage paid		(2,999,992)		(2,999,992)
Balance at March 31, 2024	**$ 1,161,140**	**$ 66,751,072**	**$ 68,227**	**$ 67,980,439**

The accompanying notes are an integral part of these combined financial statements.

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Legacy is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The association serves the counties of Franklin, Gregg, Harrison, Hopkins, Kaufman, Marion, Rains, Upshur, Van Zandt, and Wood in the state of Texas. The association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2023, as contained in the 2023 Annual Report to Stockholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2024. Descriptions of the significant accounting policies are included in the 2023 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Recently Adopted Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the association's financial condition, results of operations or cash flows.

In November 2023, the FASB issued ASU 2023-07 - Segment Reporting: Improvements to Reportable Segment Disclosures. The standard requires a public entity to disclose, on an annual and interim basis, the following:

- significant segment expenses that are readily provided to the chief operating decision maker ("CODM") and included in segment profit or loss,
- composition and aggregate amount of other segment items, which represent the difference between profit or loss and segment revenues less significant segment expenses,
- the title and position of the CODM, and
- an explanation of how the CODM uses the reported segment measures in assessing segment performance and deciding how to allocate resources.

Even if a public entity has a single reportable segment, it is required to provide all disclosures set forth in the standard and all existing segment disclosures. The amendments in the standard are to be applied retrospectively to all prior periods presented and are effective for fiscal years beginning after December 31, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The association is currently assessing the potential impact of this standard on its disclosures.

NOTE 2 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:

A summary of loans follows:

Loan Type	March 31, 2024 Amount	December 31, 2023 Amount
Production agriculture:		
Real estate mortgage	**$ 313,820,046**	$ 316,952,280
Production and intermediate-term	**12,430,967**	13,782,434
Agribusiness:		
Processing and marketing	**14,481,459**	15,356,382
Loans to cooperatives	**3,209,810**	2,567,359
Farm-related business	**2,812,413**	2,475,307
Rural residential real estate	**10,124,335**	10,237,682
Communication	**7,242,014**	8,631,222
Water and waste-water	**2,979,316**	2,985,247
Energy	**2,596,046**	2,785,077
Total	**$ 369,696,406**	$ 375,772,990

The association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations.

The following table presents information regarding the balances of participations purchased and sold at March 31, 2024:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 26,479,089	$ 9,287,102		$ -	$ 26,479,089	$ 9,287,102
Production and intermediate-term	4,782,724	-	-	-	4,782,724	-
Agribusiness	19,929,482	-	-	-	19,929,482	-
Communication	7,242,014	-	-	-	7,242,014	-
Energy	2,596,046	-	-	-	2,596,046	-
Water and waste-water	2,979,316	-	-	-	2,979,316	-
Total	$ 64,008,670	$ 9,287,102	$ -	$ -	$ 64,008,670	$ 9,287,102

The association is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the association on such balances. Balances of ACPs were $17,295 and $1,000 at March 31, 2024, and December 31, 2023, respectively.

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in our outstanding loans, letters of credit and unfunded loan commitments. The association manages credit risk associated with the retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by its board of directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, financial position and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, institutions that make loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

The association uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the life of the loan. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The association reviews, at least on an annual basis or when a credit action is taken, the probability of default category.

Each of the probability of default categories carries a distinct percentage of default probability. The probability of default rate between one and nine of the acceptable categories is very narrow and would reflect almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain. These categories are defined as follows:

- Acceptable — assets are expected to be fully collectible and represent the highest quality,
- Other Assets Especially Mentioned (OAEM) — assets are currently collectible but exhibit some potential weakness,
- Substandard — assets exhibit some serious weakness in repayment capacity, equity, or collateral pledged on the loan,
- Doubtful — assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable, and
- Loss — assets are considered uncollectible.

The following table presents credit quality indicators by loan type and the related principal balance as of March 31, 2024:

	Term Loans Amortized Cost by Origination Year								
March 31, 2024	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term Loans Amortized Cost Basis**	**Total**
Real estate mortgage									
Acceptable	$ 8,423,591	$ 41,908,710	$ 58,755,709	$ 68,915,309	$ 39,944,744	$ 86,257,605	$ -	$ -	$ 304,205,668
OAEM	$ -	$ 2,577,472	$ 1,615,896	$ 1,070,414	$ 258,915	$ 686,509	$ 2,147,230	$ -	$ 8,356,436
Substandard/Doubtful	$ -	$ -	$ 337,135	$ -	$ 49,987	$ 875,822	$ -	$ -	$ 1,262,944
	$ 8,423,591	$ 44,486,182	$ 60,708,740	$ 69,985,723	$ 40,253,646	$ 87,819,936	$ 2,147,230	$ -	$ 313,825,048
Gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Production and intermediate-term									
Acceptable	$ 93,635	$ 4,120,035	$ 345,827	$ 149,332	$ 120,678	$ 315,928	$ 7,226,952	$ 51,200	$ 12,423,587
OAEM	$ -	$ -	$ -	$ -	$ -	$ 7,379	$ -	$ -	$ 7,379
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 93,635	$ 4,120,035	$ 345,827	$ 149,332	$ 120,678	$ 323,307	$ 7,226,952	$ 51,200	$ 12,430,966
Gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Agribusiness									
Acceptable	$ -	$ 5,304,453	$ 6,827,864	$ 3,041,343	$ 2,238,213	$ 800,000	$ 1,739,303	$ -	$ 19,951,176
OAEM	$ -	$ -	$ 414,057	$ -	$ -	$ -	$ 138,450	$ -	$ 552,507
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ 5,304,453	$ 7,241,921	$ 3,041,343	$ 2,238,213	$ 800,000	$ 1,877,753	$ -	$ 20,503,683
Gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Communications									
Acceptable	$ -	$ 3,266,669	$ -	$ -	$ 3,852,935	$ -	$ 122,410	$ -	$ 7,242,014
OAEM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ 3,266,669	$ -	$ -	$ 3,852,935	$ -	$ 122,410	$ -	$ 7,242,014
Gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Energy and Water/waste disposal									
Acceptable	$ -	$ 979,631	$ -	$ -	$ -	$ 1,999,685	$ 2,536,996	$ 59,050	$ 5,575,362
OAEM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ 979,631	$ -	$ -	$ -	$ 1,999,685	$ 2,536,996	$ 59,050	$ 5,575,362
Gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rural residential real estate									
Acceptable	$ 37,765	$ 1,362,604	$ 2,745,323	$ 3,144,155	$ 1,787,204	$ 1,042,283	$ -	$ -	$ 10,119,334
OAEM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 37,765	$ 1,362,604	$ 2,745,323	$ 3,144,155	$ 1,787,204	$ 1,042,283	$ -	$ -	$ 10,119,334
Gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Loans									
Acceptable	$ 8,554,991	$ 56,942,102	$ 68,674,723	$ 75,250,139	$ 47,943,774	$ 90,415,501	$ 11,625,661	$ 110,250	$ 359,517,141
OAEM	$ -	$ 2,577,472	$ 2,029,953	$ 1,070,414	$ 258,915	$ 693,888	$ 2,285,680	$ -	$ 8,916,322
Substandard/Doubtful	$ -	$ -	$ 337,135	$ -	$ 49,987	$ 875,822	$ -	$ -	$ 1,262,944
	$ 8,554,991	**$ 59,519,574**	**$ 71,041,811**	**$ 76,320,553**	**$ 48,252,676**	**$ 91,985,211**	**$ 13,911,341**	**$ 110,250**	**$ 369,696,407**

The following table presents credit quality indicators by loan type and the related principal balance as of December 31, 2023:

	Term Loans Amortized Cost by Origination Year								
December 31, 2023	**$ 2,023**	**$ 2,022**	**$ 2,021**	**$ 2,020**	**$ 2,019**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term Loans Amortized Cost Basis**	**Total**
Real estate mortgage									
Acceptable	$ 45,009,556	$ 60,394,327	$ 71,211,194	$ 40,765,375	$ 24,928,326	$ 66,424,123	$ -	$ -	$ 308,732,901
OAEM	$ 2,646,437	$ 1,817,210	$ -	$ 262,498	$ -	$ 701,228	$ 2,147,061	$ -	$ 7,574,434
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ 644,945	$ -	$ -	$ 644,945
	$ 47,655,993	$ 62,211,537	$ 71,211,194	$ 41,027,873	$ 24,928,326	$ 67,770,296	$ 2,147,061	$ -	$ 316,952,280
Gross charge-offs for the year ended December 31, 2023	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Production and intermediate-term									
Acceptable	$ 4,222,371	$ 392,770	$ 184,289	$ 139,164	$ 102,939	$ 229,633	$ 7,559,985	$ 51,200	$ 12,882,351
OAEM	$ 891,588	$ -	$ -	$ -	$ -	$ 8,495	$ -	$ -	$ 900,083
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 5,113,959	$ 392,770	$ 184,289	$ 139,164	$ 102,939	$ 238,128	$ 7,559,985	$ 51,200	$ 13,782,434
Gross charge-offs for the year ended December 31, 2023	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Agribusiness									
Acceptable	$ 5,629,304	$ 6,859,834	$ 3,049,716	$ 2,244,463	$ 800,000	$ -	$ 1,318,899	$ -	$ 19,902,216
OAEM	$ -	$ 373,253	$ -	$ -	$ -	$ -	$ 123,579	$ -	$ 496,832
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 5,629,304	$ 7,233,087	$ 3,049,716	$ 2,244,463	$ 800,000	$ -	$ 1,442,478	$ -	$ 20,399,048
Gross charge-offs for the year ended December 31, 2023	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Communications									
Acceptable	$ 3,060,056	$ -	$ -	$ 5,502,741	$ -	$ -	$ 68,425	$ -	$ 8,631,222
OAEM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 3,060,056	$ -	$ -	$ 5,502,741	$ -	$ -	$ 68,425	$ -	$ 8,631,222
Gross charge-offs for the year ended December 31, 2023	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Energy and Water/waste disposal									
Acceptable	$ 985,772	$ -	$ -	$ -	$ -	$ 4,631,153	$ 153,399	$ -	$ 5,770,324
OAEM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 985,772	$ -	$ -	$ -	$ -	$ 4,631,153	$ 153,399	$ -	$ 5,770,324
Gross charge-offs for the year ended December 31, 2023	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rural residential real estate									
Acceptable	$ 1,383,801	$ 2,851,696	$ 3,138,399	$ 1,807,092	$ 268,521	$ 788,173	$ -	$ -	$ 10,237,682
OAEM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 1,383,801	$ 2,851,696	$ 3,138,399	$ 1,807,092	$ 268,521	$ 788,173	$ -	$ -	$ 10,237,682
Gross charge-offs for the year ended December 31, 2023	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Loans									
Acceptable	$ 60,290,860	$ 70,498,627	$ 77,583,598	$ 50,458,835	$ 26,099,786	$ 72,073,082	$ 9,100,708	$ 51,200	$ 366,156,696
OAEM	$ 3,538,025	$ 2,190,463	$ -	$ 262,498	$ -	$ 709,723	$ 2,270,640	$ -	$ 8,971,349
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ 644,945	$ -	$ -	$ 644,945
	$ 63,828,885	**$ 72,689,090**	**$ 77,583,598**	**$ 50,721,333**	**$ 26,099,786**	**$ 73,427,750**	**$ 11,371,348**	**$ 51,200**	**$ 375,772,990**

The following table shows loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Real estate mortgage		
Acceptable	**96.9** %	97.4 %
OAEM	**2.7** %	2.4 %
Substandard/doubtful	**0.4** %	0.2 %
	100.0 %	100.0 %
Production and intermediate-term		
Acceptable	**99.9** %	93.5 %
OAEM	**0.1** %	6.5 %
Substandard/doubtful	**-** %	- %
	100.0 %	100.0 %
Agribusiness		
Acceptable	**97.3** %	97.6 %
OAEM	**2.7** %	2.4 %
Substandard/doubtful	**-** %	- %
	100.0 %	100.0 %
Energy and water/waste-water		
Acceptable	**100.0** %	100.0 %
OAEM	**-** %	- %
Substandard/doubtful	**-** %	- %
	100.0 %	100.0 %
Communication		
Acceptable	**100.0** %	100.0 %
OAEM	**-** %	- %
Substandard/doubtful	**-** %	- %
	100.0 %	100.0 %
Rural residential real estate		
Acceptable	**100.0** %	100.0 %
OAEM	**-** %	- %
Substandard/doubtful	**-** %	- %
	100.0 %	100.0 %
Total loans		
Acceptable	**97.2** %	97.4 %
OAEM	**2.4** %	2.4 %
Substandard/doubtful	**0.3** %	0.2 %
	100.0 %	100.0 %

Accrued interest receivable on loans of $2,648,717 and $2,436,348 at March 31, 2024 and December 31, 2023 have been excluded from the amortized cost of loans and reported separately in the Balance Sheet. The association had no write-offs of accrued interest receivable for the three months ended March 31, 2024 or 2023.

The following table reflects nonperforming assets, which consist of nonaccrual loans, accruing loans 90 days or more past due and other property owned and related credit quality statistics:

	March 31, 2024	December 31, 2023
Nonaccrual loans:		
Real estate mortgage	**$ 725,678**	$ 440,153
Total nonperforming assets	**$ 725,678**	$ 440,153
Nonaccrual loans as a percentage of total loans	**0.20%**	0.12%
Nonperforming assets as a percentage of capital	**1.07%**	0.63%

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for loan losses, as well as interest income recognized on nonaccrual during the period:

	March 31, 2024			
	Amortized Cost with Allowance	**Amortized Cost without Allowance**	**Total**	**Interest Income Recognized For the Three Months Ended March 31, 2024**
Nonaccrual loans:				
Real estate mortgage	$ 49,987	$ 675,691	$ 725,678	$ 3,141
Agribusiness	-	-	-	924
Total nonaccrual loans	$ 49,987	$ 675,691	$ 725,678	$ 4,065

	March 31, 2023			
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized For the Three Months Ended March 31, 2023
Nonaccrual loans:				
Real estate mortgage	$ -	$ 782,204	$ 782,204	$ 113,357
Production and intermediate-term	-	975,463	975,463	-
Agribusiness	66,543	-	66,543	-
Energy and Water/waste disposal	270,165	-	270,165	-
Total nonaccrual loans	$ 336,708	$ 1,757,667	$ 2,094,375	$ 113,357

The following tables provide an aging analysis of past due loans at amortized cost by portfolio segment as of:

March 31, 2024	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 243,258	$ 359,312	$ 602,570	$ 315,574,791	$ 316,177,361	$ -
Production and intermediate term	-	-	-	12,583,722	12,583,722	-
Loans to cooperatives	-	-	-	3,219,726	3,219,726	-
Processing and marketing	-	-	-	14,511,240	14,511,240	-
Farm-related business	-	-	-	2,833,374	2,833,374	-
Communication	-	-	-	7,259,641	7,259,641	-
Energy	-	-	-	2,605,096	2,605,096	-
Water and waste-water	-	-	-	2,991,468	2,991,468	-
Rural residential real estate	-	-	-	10,163,496	10,163,496	-
Total	$ 243,258	$ 359,312	$ 602,570	$ 371,742,554	$ 372,345,124	$ -

December 31, 2023	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 2,130,621	$ -	$ 2,130,621	$ 316,896,424	319,027,045	$ -
Production and intermediate term	-	-	-	13,965,427	13,965,427	-
Loans to cooperatives	-	-	-	2,575,352	2,575,352	-
Processing and marketing	-	-	-	15,393,229	15,393,229	-
Farm-related business	-	-	-	2,493,419	2,493,419	-
Communication	-	-	-	8,664,344	8,664,344	-
Energy	-	-	-	2,795,324	2,795,324	-
Water and waste-water	-	-	-	3,017,809	3,017,809	-
Rural residential real estate	-	-	-	10,277,389	10,277,389	-
Total	$ 2,130,621	$ -	$ 2,130,621	$ 376,078,717	$ 378,209,338	$ -

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The collateral dependent loans are primarily real estate mortgage and rural residential real estate loans.

Allowance for Credit Losses

The credit risk rating methodology is a key component of the association's allowance for credit losses evaluation and is generally incorporated into the association's loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established by the association to manage credit exposure. The regulatory limit to a single borrower or lessee is 15% of the association's lending and leasing limit base but the association's boards of directors have generally established more restrictive lending limits.

A summary of changes in the allowance for credit losses by portfolio segment are as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at December 31, 2023	**$ (940,360)**	**$ (16,919)**	**$ (67,755)**	**$ (30,472)**	**$ (21,067)**	**$ (18,850)**	**$ 21**	**$ (1,095,402)**
Charge-offs	1,094	-	-	-	-	-	-	1,094
Recoveries	-	(900)	-	-	-	-	-	(900)
Provision for credit losses/(Credit loss reversal)	9,769	6,636	9,715	3,209	735	1,459	1	31,524
Other	-	-	-	-	-	-	-	-
Commodity Reclassification	-	-	-	-	17,593	(17,572)	(21)	-
Balance at March 31, 2024	**$ (929,497)**	**$ (11,183)**	**$ (58,040)**	**$ (27,263)**	**$ (2,739)**	**$ (34,963)**	**$ 1**	**$ (1,063,684)**
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2023	**$ -**	**$ (2,346)**	**$ (20,902)**	**$ (685)**	**$ (19)**	**$ -**	**$ (19)**	**$ (23,971)**
Provision for unfunded commitments	-	60	3,227	297	12	-	15	3,611
Balance at March 31, 2024	**$ -**	**$ (2,286)**	**$ (17,675)**	**$ (388)**	**$ (7)**	**$ -**	**$ (4)**	**$ (20,360)**
Total allowance for credit losses	**$ (929,497)**	**$ (13,469)**	**$ (75,715)**	**$ (27,651)**	**$ (2,746)**	**$ (34,963)**	**$ (3)**	**$ (1,084,044)**

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at December 31, 2022	$ (863,646)	$ (16,578)	$ (297,202)	$ (3,060)	$ (55,522)	$ (7,340)	$ -	$ (1,243,348)
Cumulative effect if a change in accounting principle	38,313	(14,684)	(33,954)	(5,719)	(1,151)	(17,593)	-	(34,788)
Balance at January 1, 2023	(825,333)	(31,262)	(331,156)	(8,779)	(56,673)	(24,933)	-	(1,278,136)
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	(1,203)	-	-	-	-	-	(1,203)
Provision for loan losses (Credit loss reversal)	59,603	5,022	6,894	(699)	223	(756)	(8)	70,279
Balance at March 31, 2023	$ (765,730)	$ (27,443)	$ (324,262)	$ (9,478)	$ (56,450)	$ (25,689)	$ (8)	$ (1,209,060)
Allowance for credit losses on unfunded commitments:								
Cumulative effect if a change in accounting principle	(358)	(6,710)	(31,495)	(642)	(18)	-	(21)	(39,244)
Balance at January 1, 2023	$ (358)	$ (6,710)	$ (31,495)	$ (642)	$ (18)	$ -	$ (21)	$ (39,244)
Provision for unfunded commitments	139	2,514	13,661	25	9	-	21	16,369
Balance at March 31, 2023	$ (219)	$ (4,196)	$ (17,834)	$ (617)	$ (9)	$ -	$ -	$ (22,875)
Total allowance for credit losses	$ (765,949)	$ (31,639)	$ (342,096)	$ (10,095)	$ (56,459)	$ (25,689)	$ (8)	$ (1,231,935)

Discussion of Changes in Allowance for Credit Losses

The ACL inclusive of the reserve for unfunded commitments decreased $35,329 to $1,084,044 at March 31, 2024, as compared to $1,119,373 at December 31, 2023, primarily due to decreases in loan volume.

NOTE 3 — CAPITAL:

The association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the association's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an association's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the association's goals and objectives with the board.

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums with Buffer	As of March 31, 2024
Common equity tier 1 ratio	7.00%	18.16%
Tier 1 capital ratio	8.50%	18.16%
Total capital ratio	10.50%	18.49%
Permanent capital ratio	7.00%	18.22%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	16.22%
UREE leverage ratio	1.50%	15.92%

The details for the amounts used in the calculation of the regulatory capital ratios as of March 31, 2024:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	43,231,293	43,231,293	43,231,293	43,231,293
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	1,165,956	1,165,956	1,165,956	1,165,956
Nonqualified allocated equities not subject to retirement	23,655,415	23,655,415	23,655,415	23,655,415
Allowance for loan losses and reserve for credit losses subject to certain limitations*			1,124,155	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(6,415,903)	(6,415,903)	(6,415,903)	(6,415,903)
	61,636,761	61,636,761	62,760,916	61,636,761
Denominator:				
Risk-adjusted assets excluding allowance	345,767,493	345,767,493	345,767,493	345,767,493
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(6,415,903)	(6,415,903)	(6,415,903)	(6,415,903)
Allowance for loan losses				(1,100,665)
	339,351,590	339,351,590	339,351,590	338,250,925
Calculated Ratio	**18.16%**	**18.16%**	**18.49%**	**18.22%**

*Inclusive of the reserve for unfunded commitments.

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	43,231,293	43,231,293
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	1,165,956	-
Nonqualified allocated equities not subject to retirement	23,655,415	23,655,415
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(6,415,903)	(6,415,903)
	61,636,761	**60,470,805**
Denominator:		
Total Assets	386,453,758	386,453,758
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(6,522,179)	(6,522,179)
	379,931,579	**379,931,579**
Calculated Ratio	**16.22%**	**15.92%**

	March 31, 2024	December 31, 2023
Capital stock and participation certificates	**1,161,140**	1,176,510
Accumulated other comprehensive loss	**68,227**	69,390
Retained earnings[1]	**66,751,072**	68,596,406
Total Capital	67,980,439	69,842,306

[1] Retained earnings for the quarter ended March 31, 2023, reflects a decrease from the cumulative effect of a change in accounting principle for CECL on January 1, 2023.

The following tables present the activity in the accumulated other comprehensive loss, net of tax by component:

Accum Other Comp Income (Loss)

March 31, 2024	**Net of Tax**
Nonpension postretirement benefits	**$ 68,227**

March 31, 2023	Net of Tax
Nonpension postretirement benefits	$ 59,524

The association's accumulated other comprehensive income (loss) relates entirely to its non-pension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in “Salaries and employee benefits” in the Consolidated Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive income (loss) for the three months ended March 31:

	2024	2023
Accumulated other comprehensive income (loss) at January 1	**$ 69,390**	$ 60,450
Amortization of prior service (credit) costs included in salaries and employee benefits	**(391)**	(391)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**(772)**	(535)
Other comprehensive income (loss), net of tax	**(1,163)**	(926)
Accumulated other comprehensive income (loss) at March 31	**$ 68,227**	$ 59,524

NOTE 4 — INCOME TAXES:

Legacy conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly owned Federal Land Credit Association (“FLCA”) subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly owned Production Credit Association (“PCA”) subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. The association operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the association can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management’s estimate, that they will not be realized.

NOTE 5 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 12 in the 2023 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

March 31, 2024	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ -**	**$ -**

December 31, 2023	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	$ -	$ -	$ -	$ -

At December 31, 2023, there were no impaired loans with specific reserves, and at March 31, 2024, there was one loan with a specific reserve equal to the recorded investment of that loan, netting to zero balances in the above table.

Uncertainty of Fair Value Measurements

Regarding nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs, as each collateral property is unique. The associations utilize appraisals to value these loans and other property owned and consider unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 12 to the 2023 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the association's assets and liabilities. For a more complete description, see the 2023 Annual Report to Stockholders.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs for the three months ended March 31:

Three months ended March 31:	**Other Benefits**	
	2024	**2023**
Service cost	**$ 925**	$ 862
Interest cost	**2,773**	2,769
Amortization of prior service (credits) costs	**(391)**	(391)
Amortization of net actuarial (gain) loss	**(772)**	(535)
Net periodic benefit cost	**$ 2,535**	$ 2,705

The association's liability for the unfunded accumulated obligation for these benefits at March 31, 2024, was $206,985 and is included in other liabilities on the balance sheet.

The components of net periodic benefit cost other than the service cost component are included in the line item "other components of net periodic postretirement benefit cost" in the income statement.

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The association recognizes its amortized annual contributions to the plan as an expense. The association previously disclosed in its financial statements for the year ended December 31, 2023, that it expected to contribute $8,725 to the district's defined benefit pension plan in 2024. As of March 31, 2024, $2,181 of contributions have been made. The association presently anticipates contributing an additional $6,544 to fund the defined benefit pension plan in 2024 for a total of $8,725.

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

The association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the association.

NOTE 8 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through May 9, 2024, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of this date.